

## Information/Action Item

### *California Postsecondary Education Commission*

#### Recommendations on Higher Education Policies Contained in the Governor's Proposed 2004-05 State Budget

---

The budget proposed by the Governor made a number of recommendations that have significant policy implications including: student fee increases in each of the State's public higher education systems, changes in the availability of financial aid, enrollment restrictions at the University and the State University, redirection of students to community colleges, penalties for taking too many units at UC and CSU, and increased faculty workloads at UC and CSU. These issues and others will be discussed and the Commission can determine whether it wishes to take a position on any of these proposals.

*Recommended Action:* Commission consideration of the staff's proposed policy recommendations on these issues.

*Presenter:* Karl M. Engelbach.



## Recommendations on Higher Education Policies Contained in the Governor's Proposed 2004-05 State Budget

The Governor's proposed 2004-05 State Budget contains a number of explicit and implicit policies, which, if enacted, would directly impact California postsecondary education. This document has been prepared to assist the Commission in developing its positions on the Governor's higher education policy proposals. In it, staff summarizes the Governor's primary policy recommendations affecting California higher education and it offers its recommendations concerning the positions that it suggests the Commission might adopt concerning each of the Governor's higher education policy proposals.

| <i>Policy Issue</i>   | <i>Fiscal Implications</i>   | <i>Students Impacted</i>  | <i>Staff Recommended Positions</i>   |
|---|--|---|--|
| <b><i>Student Fee Related Policies:</i></b>   |  |   |  |
| <b><i>Undergraduate student fees at UC and CSU.</i></b> To eliminate the "boom and bust" cycle of student fee increases, the Governor proposes that undergraduate UC and CSU systemwide student fees increase annually consistent with the change in the State's per capita personal income. However, when budgetary pressures warrant, undergraduate fees could be increased by a maximum of 10 percent. | A 10 percent systemwide student fee increase before any institutional financial aid set-aside yields about \$79.5 million at UC and about \$59 million at CSU. | In Fall 2003, UC enrolled about 159,000 undergraduates and CSU enrolled about 320,000 undergraduate students. The Governor has also proposed that freshman enrollment at UC and CSU be reduced by 10 percent next year. This would result in overall enrollment levels being reduced by approximately 3,200 students at UC and 4,100 students at CSU. See comments below concerning the redirection of these freshman students to the community colleges. | The staff supports the Governor's desire to eliminate the student fee "boom and bust" cycle and is supportive of tying increases in student fees to changes in the State's per capita personal income. However, recognizing the limited State funding currently available to support the State's higher education institutions, it suggests that during extraordinarily difficult budgetary times (such as those currently facing the State), in order to maximize the number of students who can attend California's public colleges and universities, student fees may need to be increased by more than the 10 percent limitation proposed by the Governor. However, adequate student financial aid must be provided to assist financially needy students with any increase in student fees (see financial aid comments below). |

|  |   |   |   |
|--|---|---|---|
| <p><b><i>Graduate student fees at UC and CSU.</i></b> Recognizing the greater personal gain from graduate education, the Governor has proposed that graduate student fees equal 150 percent of undergraduate student charges. Further, graduate student fees would not be subject to the annual 10 percent increase limitation until such time that they represent 150 percent of undergraduate student fees.</p>  | <p>A 40 percent in academic graduate student fees before any institutional financial aid set-aside yields about \$72 million at UC and about \$47 million at CSU.</p>   | <p>In Fall 2003, UC enrolled about 33,200 academic graduate students and CSU enrolled about 89,000 graduate and postbaccalaureate students. CSU has estimated that its graduate and postbaccalaureate enrollments would decline by about 4,500 students given the imposition of a 40 percent increase in graduate student fees.</p> | <p>The Commission staff supports the Governor's graduate student fee proposal, but with one exception. In recognition of the need for additional K-12 teachers throughout California, students enrolled in teacher education credentialing programs should be exempt from the graduate student fee surcharge and should be assessed the same amount as undergraduate students. Further, the State should undertake a study to assess the adequacy of financial aid resources available to assist financially needy graduate students.</p> |
| <p><b><i>Professional student fees at UC.</i></b> The Governor recommends that 25 percent of the State's support for UC's professional schools be removed and replaced with additional revenues derived from increases in UC's professional school charges. No monies from the additional professional school student fee increases are proposed to be returned to support financial aid. Further, the Governor leaves discretion to UC to determine the actual level of student fees at each professional school.</p> | <p>The 25 percent reduction in State support for the University's professional schools is budgeted at \$42.6 million. To replace this decrease in State support would require that each professional school student, on average, pay about \$5,000 more in student fees than they do currently.</p> | <p>In Fall 2003, the University enrolled about 8,500 students in its various professional schools.</p>  | <p>The Commission staff supports providing UC with discretion to determine the appropriate fee level charged at each of its professional schools. However, staff is particularly concerned about the lack of any additional student financial aid available to support financially needy professional school students. Staff recommends that a portion of the additional revenue generated from the higher professional school surcharges be returned to support student financial aid grant programs.</p>                                |
| <p><b><i>Surcharge on excess units taken by UC and CSU undergraduates.</i></b> In order to encourage students to complete their studies in a timely fashion and leave the institution as soon as they have completed their degree requirements, the Governor has</p>   | <p>The Governor's budget assumes savings of \$9.3 million at UC and \$24.4 million at CSU associated with the first phase of eliminating the State subsidy for</p>  | <p>It is unclear exactly how many students might be impacted by this proposal given that no agreement yet exists concerning the methodology for determining which students are over the 110 per-</p>  | <p>The staff has been asked by the Assembly Higher Education Committee to develop a comprehensive analysis of this policy proposal and to complete that analysis by no later than May 1, 2004. Until the staff's analysis has been completed, it recommends that the Commission withhold comment on</p>   |

|   |  |  |  |
|---|--|--|--|
| proposed that students who have taken more than 110 percent of the units required for their degree be charged the full cost of their instruction.   | students with “excess units.” UC and CSU both indicate that these figures are not realistic savings targets and are based upon faulty data assumptions.  | cent limitation.   | this particular proposal.  |
| <b>CCC fees for non-BA degreed students.</b> In order to maximize federal student financial aid monies, the Governor has proposed that CCC fees for non-BA students be increased from \$18 per credit unit to \$26 per credit unit.   | The proposed fee increase from \$18 to \$26 per credit unit is estimated to generate approximately \$73.3 million in additional fee revenue.   | In Fall 2002, the community colleges enrolled about 1.4 million students enrolled in credit courses.   | While the staff is not opposed to the increase proposed by the Governor, it does recommend that the State develop a long-term policy for setting and adjusting community college student fees. As with UC and CSU student charges, CCC student fee increases should be moderate and predictable, enabling students and families to plan. A long-term CCC student fee policy is needed.   |
| <b>CCC fees for students with BA degrees.</b> Given that these students have already benefited from a higher education and given limited state resources, the Governor has proposed that these students receive a lesser State subsidy than those who have not yet obtained a BA degree within the community colleges. Specifically, the Governor has proposed that BA holders pay \$50 per credit unit – rather than the \$26 per credit unit proposed for other CCC students. | This proposed differential fee for community college students who already possess a baccalaureate or more advanced degree is estimated to generate about \$17.6 million in additional student fee revenue. | In Fall 2002, about 150,000 students with a baccalaureate or more advanced degrees enrolled in the community colleges. A similar surcharge for BA-degreed students enrolled in the community colleges was implemented in 1993 and it resulted in about a 50 percent decline the enrollment of BA-degree community college attendees. | Given limited State resources, the staff supports the concept of attempting to prioritize those who receive the greatest State subsidy to attend the community colleges. Given the concerns expressed by many about BA degree holders returning to the community colleges for job retraining, perhaps the State should explore further discussions to identify the specific populations that should receive less State subsidy within the community colleges and hence be assessed the higher student fee surcharge. |
| <b>Student Financial Aid Policies:</b>  |  |  |  |
| <b>Reduce Institutional Student Aid Set Aside.</b> The Governor has proposed to reduce from 33 percent to   | The budget proposes to set-aside about \$30 million for institutional  | In Fall 2001, approximately 66,300 undergraduates were determined to be financially  | Given the insufficient grant aid currently available to assist financially needy UC and particularly CSU undergraduate students  |

|  |   |  |  |
|--|---|--|--|
| 20 percent the amount of new UC and CSU student fee revenue that is earmarked for student financial aid.   | aid at UC and about \$21 million at CSU. These amounts are about \$35 million short of funding the traditional one-third return to aid requirement at UC and about \$14 million short at CSU. | needy at UC and about 146,000 undergraduates financially needy at CSU. Further, in 2002-03, about 50,000 UC students received fee-funded institutional grant aid and about 76,000 CSU students received fee-funded (non-General Fund) institutional grant assistance.  | and the fact that approximately 45 percent of undergraduate students at both UC and CSU are financially needy, the Commission staff is particularly concerned about this proposed change in financial aid policy. The staff recommends that the current 33 percent return to aid policy continue and that further analysis be conducted to determine if the 33 percent figure should be altered in any way.  |
| <b><i>Reduce Cal Grant A and B Income Ceilings.</i></b> The Governor has proposed that the income ceilings for the Cal Grant A and B programs be reduced by 10 percent.  | This proposal would result in savings of about \$11 million to the Cal Grant program.   | This proposal would likely result in about 4,500 fewer students receiving Cal Grant Entitlement awards. Specifically, it would result in students with family incomes over \$60,840 for a family of four no longer qualifying for a Cal Grant A award and that students with family incomes over \$31,950 for a family of four no longer qualifying for a Cal Grant B award. | While the Commission staff is concerned about the students impacted by this proposed change, it has greater concerns about the proposed changes in institutional aid and the decoupling of Cal Grant award amounts from UC and CSU student fee levels.   |
| <b><i>Reduce by 44 percent the maximum Cal Grant award amount for new recipients attending non-public institutions.</i></b> The Governor has proposed that the maximum Cal Grant award for new recipients attending non-public California institutions be reduced from \$9,708 to \$5,482. | This proposal would result in savings of about \$32.7 million to the Cal Grant program.   | This proposal would impact about 9,700 new Cal Grant recipients. This assumes the continuation of historic enrollment trends of students choosing to attend non-public California postsecondary education institutions.  | The Commission is concerned about the impact that this proposed policy change will have student choice, California's non-public institutions, and on the enrollment pressures that this change might have on California's public colleges and universities. The Commission recommends that the State develop a long-term policy for setting and adjusting the maximum Cal Grant award for students attending California's non-public colleges and universities and not continue the policy of having the award level determined annually via the budget process. |

|  |   |  |   |
|--|---|--|---|
| <b><i>Decouple the UC and CSU Cal Grant award amount from the UC and CSU student fee levels.</i></b> The Governor has proposed to decouple the Cal Grant award amount for UC and CSU Cal Grant recipients from their student fee levels. This would mean that the 10 percent undergraduate student fee increases proposed at UC and CSU would not be covered for Cal Grant recipients. | This proposal would result in savings of about \$30 million to the Cal Grant program. This \$30 million estimate assumes a 10 percent increase in undergraduate student fees at UC and CSU. | This proposal would impact about 39,400 Cal Grant recipients attending UC and about 51,300 recipients attending CSU.   | The Commission staff is particularly concerned about the proposed policy to decouple the UC and CSU Cal Grant award amount from student fee levels. The Commission staff firmly believes that the Cal Grant award for UC and CSU students should be tied to the fees charged by UC and CSU. As such, one of the highest priorities of the Commission should be to advocate for the \$30 million necessary to fund continuation of the current grant policy.                       |
| <b><i>Funding for Student Enrollment Growth:</i></b>   |   |  |   |
| <b><i>No enrollment growth funding at UC and CSU.</i></b> The Governor – consistent with legislative direction -- has proposed no funding for enrollment growth at UC and CSU.   | The General Fund savings associated with not funding the estimated enrollment growth at UC is approximately \$40 million and approximately \$80 million at CSU.                             | UC's enrollment growth for the 2004-05 academic year was estimated to be about 5,000 additional full-time-equivalent (FTE) students and CSU was slated to grow by approximately 13,000 additional FTE students in 2004-05. | While the Commission staff is particularly concerned about the lack of enrollment growth funding, given the State's current fiscal condition, this joint Administration and legislative proposal is reasonable for a one-year period only. This "no UC/CSU enrollment growth policy" should not become the <i>de facto</i> policy for the future, unless the State plans to permanently abandon its commitment to students and the State's 1960 Master Plan for Higher Education. |
| <b><i>Divert ten (10) percent of UC and CSU's freshmen to the community colleges.</i></b> The Governor has proposed that about 3,200 UC freshmen and about 4,100 CSU freshmen be diverted from UC and CSU and instead enroll in the community colleges. As an incentive for the diverted students, they would be eligible to have their CCC student fees waived.                       | The General Fund savings associated with redirecting these freshmen to the community colleges is budgeted at \$23.2 million in net savings at UC and \$19.2 million in net savings at CSU.  | About 3,200 UC and 4,100 CSU freshmen would be affected if this proposal were implemented.   | The Commission staff has many questions about how this diversion program would be administered by UC, CSU, and the community colleges. For example, could UC and CSU freshmen volunteer to participate? If there were insufficient volunteers, which freshmen would be mandated to enroll in community colleges? What rights would these diverted students have over other transfer students once they have completed their lower-division coursework? How will                   |

|  |  |   |  |
|--|--|---|--|
|  |  |   | the community colleges ensure that the lower-division coursework needed by these students is provided? How long must the diverted students attend the community college before returning to UC or CSU? These, and other issues, need to be resolved, in order to assess the utility and impact of this proposal. |
| <b><i>Provide three (3) percent enrollment growth funding to the community colleges.</i></b> The Governor has proposed to provide funding for a 3 percent increases in the number of students served by the community colleges. This is 1.17 percent greater than the 1.83 percent called for in current State policy. The additional 1.17 percent has been provided to assist the community colleges in serving students who may have otherwise attended a UC or CSU -- such as the freshmen redirected from UC and CSU and the students who were not admitted to UC and CSU because of no enrollment growth funding -- as well as other students who may be impacted by other higher education policy and workforce changes. | The cost associated with the three percent community college enrollment growth is budgeted at \$125 million. | The proposed enrollment growth funding will enable the community colleges to serve about 33,000 additional full-time-equivalent students in 2004-05. This equates to more than 50,000 additional headcount students based upon historic course taking levels of community college students. | The Commission supports the enrollment growth funding provided to the community colleges.  |
| <b><i>Other Higher Education Policy Areas:</i></b>   |  |   |  |
| <b><i>Eliminate General Fund support for outreach programs at UC and CSU.</i></b> The Governor has proposed to eliminate State funding for outreach programs at UC and CSU.  | The budget proposes to reduce UC's "outreach" programs by \$33.3 million in General Fund support and         | Impacts both potential future higher education students as well as current higher education students, i.e. the 38,200 current EOPS students at  | While the Commission staff would agree with eliminating any unproven and unsuccessful outreach programs, those that have demonstrated positive results for students from all backgrounds should continue to  |



|  |  |  |  |
|--|--|--|--|
|  | CSU's outreach programs by \$52.0 million.   | CSU campuses. EOPS is largely a retention program to assist needy and underrepresented students in continuing their CSU studies.   | receive State funding.   |
| <b><i>Increase UC and CSU's student-faculty ratio by 5 percent.</i></b> The Governor has proposed to increase UC and CSU's student-faculty ratio by 5 percent, to generate State savings of about \$90 million   | This proposal is estimated to generate budgetary savings totaling about \$89 million – including \$35.3 million at UC and \$53.5 million at CSU. | Impacts all enrolled UC and CSU students. UC's budgeted student-faculty ration would increase from 19.7:1 to 20.7:1 under this proposal.   | While the Commission staff is concerned about the possible impact of this change on educational quality, it also recognizes the fiscal crisis facing the State and agrees that in the short-term that this is a reasonable proposal. However, in the interest of protecting educational quality, as fiscal times improve in California, the State should fund a student-faculty ratio that balances instructional effectiveness and cost efficiency. |
| <b><i>Consolidate and restructure the community colleges' categorical programs.</i></b> The Governor has proposed to consolidate and restructure a number of community college categorical programs so that the colleges have greater local flexibility and are better positioned to make the most effective use of limited resources to serve the unique needs of their local students. | Approximately \$300 million in categorical funding would be consolidated and restructured under this proposal.                                   | The community college students that would be most impacted by this proposal is contingent upon the specific categorical programs that are under consideration for consolidation and restructuring. | The Commission staff supports the Governor's proposal to consolidate and restructure selected community college categorical programs. In addition to providing local flexibility and making more effective use of limited resources, the proposal will also reduce the administrative workload placed on the Community College Chancellor's Office.  |
| <b><i>Provide a total of \$20 million to UC Merced so that it can begin to enroll students as presently planned in Fall 2005.</i></b>  | The budget provides \$10 million in one-time funds for the Fall 2005 opening of UC Merced.   | Funding level proposed by the Governor will allow UC Merced to open in Fall 2005 with a total of 1,000 students.   | Given the State's fiscal limitations and the likelihood that students will be denied access to campuses this fall, the Commission staff questions the appropriateness of funding the opening of UC Merced. Staff recommends that the commission consider whether it would be in the best interest of students and the public to postpone the opening until Fall 2006 and that UC Merced receive sufficient funding in 2004-05 to                     |

|   |   |   |   |
|---|---|---|---|
|   |   |   | maintain only its current staff.  |
| <b><i>Provide funding for cost-of-living (COLA) increases at the community colleges, but not at UC and CSU.</i></b> | The budget provides a 1.84 percent COLA for the community college base apportionments and 5 of their categorical programs. This COLA percentage is anticipated to increase with the May Revision, but at 1.84 percent the cost of the community college COLA is about \$77 million. | Indirect impact on all California public higher education students. | The Commission staff believes that all systems should be treated equitably as it relates to COLAs. As such, either all public higher education systems should receive a COLA or none should receive a COLA. |